

Congressman Jim Jordan (R-OH), Chairman

September 22, 2010

RSC Continuing Resolution for FY 2011

With the next fiscal year little more than a week away, the Democrat Congress has yet to enact any of the twelve FY 2011 appropriations bills needed to keep the government running beyond this month. Consequently, the Democrats plan to pass a short-term continuing resolution (with potentially billions of extraneous new spending attached), and then to finish at some later date the FY 2011 process with an omnibus that will increase domestic spending by \$99 billion compared to FY 2008 spending levels. In addition, the continuing resolution may include the following spending increases:

- Allowing \$10 billion in unused “stimulus” money to be spent next year (the money would otherwise be returned to the Treasury);
- Extending “temporary” stimulus spending for the Department of Health and Human Services and the Social Security Administration at a cost of \$1.1 billion;
- \$1.9 billion increase for the Race to the Top program;
- \$250 million to implement the new health care law;
- \$624 million for programs related to the START Treaty;
- \$100 million for programs related to implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act; and
- A \$5.5 billion bailout of the US Postal Service.

By contrast, the RSC will propose a more responsible solution to close out this year’s appropriations process. The RSC continuing resolution will provide for a full-year continuing resolution for FY 2011 that protects defense and veterans spending, while returning all other discretionary spending to FY 2008 levels (this saves \$99 billion compared to the Democrats’ spending plan)—the amounts in effect prior to this Congress’s spending spree. This funding level is consistent with prior RSC amendments to appropriations bills, as well as the proposal put forward by the Republicans on the House Appropriations Committee. Additionally, the plan will defund Obamacare, prohibit any FY 2011 appropriations from being used for earmarks, and protect all of the pro-life and other values riders. Unlike the Democrat continuing resolution, the RSC continuing resolution will include no additional, extraneous spending.

Action Item: Members are encouraged to cosponsor the RSC continuing resolution.

\$32 Billion Bailout Bill on the Floor

Tomorrow, the House may consider H.R. 5297, the Small Business Lending Act. The legislation establishes a \$32 billion bailout fund modeled on the TARP program. Specifically, it creates the **Small Business Lending Fund (SBLF)** to make up to \$30 billion of total capital investments in financial institutions with total assets of less than \$10 billion. It also creates a \$1.5 billion **State Small Business Credit Initiative** to be allocated to states that have created programs to increase the amount of capital made available by private lenders to small businesses. This would provide incentives for states to adopt bad policies, and punishes states that are frugal. This turns the concept of federalism on its head.

The legislation also includes \$12 billion in tax cuts and \$14.5 billion in revenue increases. \$5 billion of the new revenue comes from allowing taxpayers to convert 401(k) and government retirement accounts into Roth accounts. Many conservatives might support this provision as good tax policy, however using it as a “payfor” is a massive gimmick, since it merely moves tax revenue forward and does not create new revenue over the long-term. A version of the legislation passed the House on June 17, 2010 by a vote of 241-182. The Senate added the tax provisions (and other items to the bill), and passed it by a vote of 61-38 last week.

Quote of the Week:

“Our New Direction is committed to ‘Pay As You Go’ budgeting - no more deficit spending.”

-“A New Direction for America,” the platform of the 2006 House Democrats